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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
W. R. GRACE & CO., et al.,¹) Case No. 01-1139 (JJF)
Debtors.) Jointly Administered

Objection Deadline: August 20, 2001 at 4:00 p.m.
Hearing Date: TBD only if necessary

NOTICE OF FILING OF FIRST MONTHLY FEE APPLICATION

To: (1) The Debtors; (2) Office of the United States Trustee; (3) Counsel to the Official Committee of Unsecured Creditors; (4) Counsel to the Official Committee of Personal Injury Claimants; (5) Counsel to the Official Committee of Property Damage Claimants; (6) Counsel to the debtor-in-possession lenders (the "DIP Lenders"); and (7) Counsel to the Official Committee of Equity Holders.

The Blackstone Group, L.P. ("Blackstone"), financial advisors to the above-captioned debtors and debtors in possession in the above-captioned chapter 11 cases, filed and served the First Application of The Blackstone Group, L.P. as Financial Advisor to the Debtors and Debtors in Possession for Allowance of Compensation for Actual and Necessary Services

¹ The Debtors consist of the following 62 entities: W. R. Grace & Co. (f/k/a Grace Specialty Chemicals, Inc.), W. R. Grace & Co.-Conn., A-I Bit & Tool Co., Inc., Alewife Boston Ltd., Alewife Land Corporation, Amicon, Inc., CB Biomedical, Inc. (f/k/a Circe Biomedical, Inc.), CCHP, Inc., Coalgrace, Inc., Coalgrace II, Inc., Creative Food 'N Fun Company, Darex Puerto Rico, Inc., Del Taco Restaurants, Inc., Dewey and Almy, LLC (f/k/a Dewey and Almy Company), Ecarg, Inc., Five Alewife Boston Ltd., G C Limited Partners I, Inc. (f/k/a Grace Cocoa Limited Partners I, Inc.), G C Management, Inc. (f/k/a Grace Cocoa Management, Inc.), GEC Management Corporation, GN Holdings, Inc., GPC Thomasville Corp., Gloucester New Communities Company, Inc., Grace A-B Inc., Grace A-B II Inc., Grace Chemical Company of Cuba, Grace Culinary Systems, Inc., Grace Drilling Company, Grace Energy Corporation, Grace Environmental, Inc., Grace Europe, Inc., Grace H-G Inc., Grace H-G II Inc., Grace Hotel Services Corporation, Grace International Holdings, Inc. (f/k/a Dearborn International Holdings, Inc.), Grace Offshore Company, Grace PAR Corporation, Grace Petroleum Libya Incorporated, Grace Tarpon Investors, Inc., Grace Ventures Corp., Grace Washington, Inc., W. R. Grace Capital Corporation, W. R. Grace Land Corporation, Gracoal, Inc., Gracoal II, Inc., Guanica-Caribe Land Development Corporation, Hanover Square Corporation, Homco International, Inc., Kootenai Development Company, L B Realty, Inc., Litigation Management, Inc. (f/k/a GHSC Holding, Inc., Grace JVH, Inc., Asbestos Management, Inc.), Monolith Enterprises, Incorporated, Monroe Street, Inc., MRA Holdings Corp. (f/k/a Nestor-BNA Holdings Corporation), MRA Intermedco, Inc. (f/k/a Nestor-BNA, Inc.), MRA Staffing Systems, Inc. (f/k/a British Nursing Association, Inc.), Remedium Group, Inc. (f/k/a Environmental Liability Management, Inc.), E&C Liquidating Corp., Emerson & Cuming, Inc., Southern Oil, Resin & Fiberglass, Inc., Water Street Corporation, Axial Basin Ranch Company, CC Partners (f/k/a Cross Country Staffing), Hayden-Gulch West Coal Company, H-G Coal Company.

Rendered and for Reimbursement of All Actual and Necessary Expenses Incurred (for the monthly periods April 2, 2001 through June 30, 2001) and the Summary in connection therewith, seeking compensation in the amount of \$519,166.67² and reimbursement for actual and necessary expenses in the amount of \$7,663.95 (the "Fee Application").

The Fee Application is submitted pursuant to the Administrative Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Professionals and Official Committee Members, entered by this Court on May 3, 2001 (the "Fee Order")

Objections or responses to the Fee Application, if any, must be made in writing and filed with the United States Bankruptcy Court for the District of Delaware, Marine Midland Plaza, 824 Market Street, 6th Floor, Wilmington, Delaware 19801, on or before **August 20, 2001 at 4:00 p.m.**

At the same time, you must also serve a copy of the objections or responses, if any, upon the following: (i) co-counsel for the Debtors, James H.M. Sprayregen, Esquire, Kirkland & Ellis, 200 East Randolph Drive, Chicago, Illinois 60601 (fax number 312-861-2200), and Laura Davis Jones, Esquire, Pachulski, Stang, Ziehl, Young & Jones P.C., 919 North Market Street, Suite 1600, P.O. Box 8705, Wilmington, DE 19899-8705 (Courier 19801) (fax number 302-652-4400); (ii) counsel to the Official Committee of Unsecured Creditors, Lewis

² Pursuant to the Fee Order (as defined herein), Blackstone will only be paid \$415,333.33, 80% of the compensation represented in this Fee Application. Blackstone will seek approval of the remainder of its compensation in a quarterly fee application that will be filed in accordance with the Fee Order.

Kruger, Esquire, Stroock & Stroock & Lavan, 180 Maiden Lane, New York, New York 10038-4982 (fax number 212-806-6006), and Michael R. Lastowski, Esquire, Duane, Morris & Heckscher, LLP, 1100 N. Market Street, Suite 1200, Wilmington, Delaware 19801-1246 (fax number 302-657-4901); (iii) counsel to the Official Committee of Property Damage Claimants, Scott L. Baena, Esquire, Bilzin, Sumberg, Dunn, Baena, Price & Axelrod, First Union Financial Center, 200 South Biscayne Boulevard, Suite 2500, Miami, Florida 33131 (fax number 305-374-7593), and Michael B. Joseph, Esquire, Ferry & Joseph, P.A., 824 Market Street, Suite 904, P.O. Box 1351, Wilmington, Delaware 19899 (fax number 302-575-1714); (iv) counsel to the Official Committee of Personal Injury Claimants, Elihu Inselbuch, Esquire, Caplin & Drysdale, 399 Park Avenue, 36th Floor, New York, New York 10022 (fax number 212-644-6755), and Matthew G. Zaleski, III, Esquire, Campbell & Levine, LLC, Chase Manhattan Centre, 15th Floor, 1201 Market Street, Suite 1500, Wilmington, Delaware 19801 (fax number 302-426-9947); (v) counsel to the DIP Lenders, J. Douglas Bacon, Esquire, Latham & Watkins, Sears Tower, Suite 5800, Chicago, Illinois 60606 (fax number 312-993-9767), and Steven M. Yoder, Esquire, The Bayard Firm, 222 Delaware Avenue, Suite 900, P.O. Box 25130, Wilmington, Delaware 19899 (fax number 302-658-6395); (vi) the Office of the United States Trustee, Attn: Frank J. Perch, Esquire, 844 N. King Street, Wilmington, Delaware 19801 (fax number 302-573-6497); and (vii) counsel to the Official Committee of Equity Holders, Thomas M. Mayer, Esquire, Kramer Levin Naftalis & Frankel LLP, 919 Third Avenue, New York, New York 10022 (fax number 212-715-8000).

IF NO OBJECTION IS FILED AND SERVED IN ACCORDANCE WITH THE ABOVE PROCEDURES, THEN 80% OF FEES AND 100% OF THE EXPENSES REQUESTED MAY BE PAID PURSUANT TO THE FEE ORDER WITHOUT FURTHER ORDER OF THE COURT OR HEARING.

IF A TIMELY OBJECTION IS FILED AND SERVED, THEN PAYMENT WILL BE MADE ACCORDING TO THE PROCEDURES SET FORTH IN THE FEE ORDER.


A HEARING ON THE FEE APPLICATION WILL BE HELD AT THE COURT'S CONVENIENCE ONLY IF OBJECTIONS OR RESPONSES ARE FILED.

Dated: July 31, 2001

KIRKLAND & ELLIS
James H.M. Sprayregen
James W. Kapp III
Samuel A. Schwartz
Roger J. Higgins
200 East Randolph Drive
Chicago, Illinois 60601
(312) 861-2000

and

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.



Laura Davis Jones (Bar No. 2436)
Hamid R. Rafatjoo (California Bar No. 181564)
David W. Carickhoff Jr. (Bar No. 3715)
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

Co-counsel for Debtors and Debtors in Possession

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	:	
	:	Chapter 11
	:	
W.R. GRACE & CO., et al.,	:	Case No. 01-01139 (JJF)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	
	:	

FIRST APPLICATION OF THE BLACKSTONE GROUP
L.P. AS FINANCIAL ADVISOR TO THE DEBTORS AND
DEBTORS IN POSSESSION FOR ALLOWANCE OF
COMPENSATION FOR ACTUAL AND NECESSARY SERVICES
RENDERED AND FOR REIMBURSEMENT OF ALL
ACTUAL AND NECESSARY EXPENSES INCURRED
(FOR THE MONTHLY PERIODS APRIL 2, 2001 THROUGH JUNE 30, 2001)

SUMMARY SHEET

Name of Applicant:	THE BLACKSTONE GROUP L.P.	
Authorized to Provide Professional Services to:	Debtors	
Date of Retention Order:	June 22, 2001, effective April 2, 2001	
Period for which Compensation and reimbursement is sought:	April 2, 2001 – June 30, 2001	
Amount of compensation sought as actual, reasonable and necessary:	<u>Total</u> \$519,166.67	<u>Less Holdback (@20%)</u> \$103,833.33
Amount of reimbursement of expenses sought as actual, reasonable and necessary:	\$7,663.95	

This is a x monthly interim final application

JUL 30 2001

Summary Table

Fee Application, Filing Date	Total Fees Requested	Amount of Holdback (20%)	Net Fees Requested	Total Expenses Requested	Deadline for Objection
First 4/2/2001 - 4/30/2001, 7/30/2001	\$169,166.67	\$33,833.33	\$135,333.33	\$0	8/20/2001
Second 5/1/2001 - 5/31/2001, 7/30/2001	\$175,000.00	\$35,000.00	\$140,000.00	\$984.00	8/20/2001
Third 6/1/2001 - 6/30/2001, 7/30/2001	\$175,000.00	\$35,000.00	\$140,000.00	\$6,679.95	8/20/2001
TOTAL	\$519,166.67	\$103,833.33	\$415,333.33	\$7,663.95	

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	:	
	:	Chapter 11
	:	
W.R. GRACE & CO., et al.,	:	Case No. 01-01139 (JJF)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	
	:	

**FIRST APPLICATION OF THE BLACKSTONE GROUP
L.P. AS FINANCIAL ADVISOR TO THE DEBTORS AND
DEBTORS IN POSSESSION FOR ALLOWANCE OF
COMPENSATION FOR ACTUAL AND NECESSARY SERVICES
RENDERED AND FOR REIMBURSEMENT OF ALL
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(FOR THE MONTHLY PERIODS APRIL 2, 2001 THROUGH JUNE 30, 2001)**

I. Background

The Blackstone Group L.P. ("Blackstone") respectfully represents as follows:

1. Blackstone is financial advisor to the above-captioned debtors and debtors in possession (collectively, the "Debtors").
2. On April 2, 2001 (the "Petition Date"), the Debtors filed a voluntary petition for reorganization under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code"). The Debtors continue to operate their business and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.
3. On April 2, 2001, the Debtors applied to the Court for an order authorizing them to retain Blackstone pursuant to an engagement agreement dated February 15, 2001 (the "Engagement Agreement") as their financial advisor, effective as of the Petition Date.

4. On June 22, 2001, the Court entered an order (the "Retention Order") authorizing the Debtors to employ Blackstone as their financial advisor effective as of the Petition Date pursuant to the terms of the Engagement Agreement.

5. Pursuant to the Order Under 11 U.S.C. §§ 105 (a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals and Official Committee Members ("Procedures"), Blackstone submits this first application (the "First Application") for the monthly periods April 2, 2001 through June 30, 2001 (the "First Application Period").

6. Blackstone submits this First Application (i) for allowance of reasonable compensation for actual and necessary professional services by it as financial advisor to the Debtors in these cases for the First Application Period, and (ii) for reimbursement of actual and necessary expenses incurred in representing the Debtors during that same period. This First Application is made pursuant to the provisions of sections 330 and 331 of the Bankruptcy Code, Rule 2016 of the Federal Rules of Bankruptcy Procedure, the Retention Order and Delaware Bankruptcy Local Rule 2016-2.

7. Professional services and expenses for which compensation and reimbursement are sought were rendered and expended on behalf of the Debtors pursuant to chapter 11 of the Bankruptcy Code. Blackstone believes it is appropriate that it be compensated for the time spent and be reimbursed for the expenses incurred in connection with these matters.

8. For the First Application Period, Blackstone has provided professional services to the Debtors and incurred fees for such services totaling \$519,166.67. This represents

Blackstone's monthly fee of \$169,166.67² for the period April 2, 2001 through April 30, 2001, and monthly fees of \$175,000.00 each for the periods May 1, 2001 through May 31, 2001, and June 1, 2001 through June 30, 2001. For the First Application Period, Blackstone has incurred actual and necessary expenses in connection therewith totaling \$7,663.95. With respect to these specific amounts, Blackstone has received no payments as of the date of the First Application.

9. As was set out in the Application of the Debtors for Entry of an Order Pursuant to 11 U.S.C. §§ 327(a) and 328(a) and Fed. R. Bankr. P. 2014(a), 2016 and 5002 Authorizing the Employment and Retention of the Blackstone Group L.P. as Financial Advisor to the Debtors and Debtors in Possession (the "Retention Application"), Blackstone provided advisory services to the Debtors prior to the Petition Date. Specifically, Blackstone served as financial advisor to the Debtors since February 2001.

II. The Blackstone Engagement

10. On April 2, 2001, the Debtors applied to the Court for an order authorizing them to retain Blackstone pursuant to the Engagement Agreement as their financial advisor effective as of April 2, 2001, the petition date (the "Effective Date"). Specifically, Blackstone was retained as Financial Advisor to provide the following professional services:

- (a) Assist in the evaluation of the Debtors' businesses and prospects;
- (b) Assist in the development of the Debtors' long-term business plan;
- (c) Analyze the Debtors' financial liquidity and financing requirements;
- (d) Assist in the estimation of asbestos claims including the preparation of an estimation model for payments and costs and the analyses of payment and funding scenarios;
- (e) Evaluate the Debtors' debt capacity and alternative capital structures;

² During the period April 2, 2001 through April 30, 2001, Blackstone rendered services totaling \$169,166.67, which represents Blackstone's monthly fee for 29 days ending April 30, 2001 in the amount of \$169,166.67 (i.e., 29/30 x \$175,000).

- (f) Develop valuation, debt capacity and recovery analyses in connection with developing and negotiating a potential Restructuring;
- (g) Analyze various restructuring scenarios and the potential impact of these scenarios on the value of the Debtor and the recoveries of stakeholders impacted by the Restructuring;
- (h) Develop a negotiating strategy and assist in negotiations with the Debtors' creditors and other interested parties with respect to a potential Restructuring;
- (i) Value securities offered by the Debtor in connection with a Restructuring;
- (j) Make presentations to the Debtors' Board of Directors, creditor groups or other interested parties, as appropriate;
- (k) Provide expert witness testimony, as requested; and,
- (l) Provide such other advisory services as are customarily provided in connection with the analysis and negotiation of a Restructuring, as requested and mutually agreed.

11. Pursuant to the Engagement Agreement, the Debtors agreed to pay Blackstone the following fees in consideration for services to be rendered:

- (a) A monthly advisory fee (the "Monthly Fee") in the amount of \$175,000, with the first payment of such Monthly Fee payable upon the effective date and additional installments of such Monthly Fee payable in advance on monthly anniversaries of the effective date; and
- (b) A \$5,000,000 Restructuring Fee paid upon consummation of a Restructuring (as defined in the Engagement Agreement).

Furthermore, pursuant to the Engagement Agreement, the Debtors agreed to reimburse Blackstone for the reasonable and documented out-of-pocket expenses incurred by Blackstone in rendering the services to be provided under the Engagement Agreement.

12. For financial advisory services provided to the Debtors during the First Application Period, Blackstone respectfully requests (a) approval of \$526,830.62 consisting of (i) monthly fees in the amount of \$519,166.67 and (ii) reimbursement of out-of-pocket expenses in the amount of \$7,663.95; and (b) authorization for the Debtors to pay Blackstone's approved

fees and expenses in the amount of \$422,997.28 consisting of (i) monthly fees in the amount of \$415,333.33, representing total monthly fees of \$519,166.67, less a 20% holdback pursuant to the interim compensation procedures, and (ii) out-of-pocket expenses referred to in (a) above.

III. The Blackstone Team

13. The financial services set forth above were performed primarily by Pamela Zilly – Senior Managing Director; Richard Shinder – Vice President; David Blechman – Associate; and Michael Alexander – Analyst:

- (a) Pamela Zilly: Pamela Zilly is a Senior Managing Director of Blackstone. Prior to joining Blackstone Ms. Zilly was a Vice President of Chemical Bank where she divided her time between the Mergers and Acquisitions Group and the Restructuring and Reorganization Group. Since joining Blackstone, Ms. Zilly has provided services to debtors and creditors in both formal and informal restructuring engagements.
- (b) Richard Shinder: Richard Shinder is a Vice President of Blackstone. Prior to joining Blackstone Mr. Shinder was a Vice President at Lehman Brothers in its Leveraged Finance group. He has worked on a number of debtor and creditor restructuring engagements since joining Blackstone in 2000.
- (c) David Blechman: David Blechman is an Associate of Blackstone. Mr. Blechman joined Blackstone in July 2000 after receiving his M.B.A. with honors from Columbia Business School.
- (d) Michael Alexander: Michael Alexander is an Analyst of Blackstone. Mr. Alexander joined Blackstone in July 1999 after graduating from the McIntire School of Commerce at the University of Virginia.

IV. Summary – First Monthly Fee Application

14. The major services provided by Blackstone during this compensation period have included: (i) assisting with performance of due diligence by advisors to the Official Unsecured Creditors' Committee, the Asbestos Property Damages Committee and the Asbestos Personal Injury Committee; (ii) assisting the Debtors in the development of a business plan; (iii) making

presentations to management regarding the operating environment in Chapter 11; (iv) assisting the Debtors with issues surrounding court motions including, without limitation, Debtors' motion to enter into a DIP agreement; (v) assisting the Debtors with discussions and negotiations with the DIP lender; (vi) providing quantitative and qualitative analysis in support of the Debtors' planned acquisitions; (vii) participation in Board meetings and business strategic planning meetings; (viii) assisting the Debtors with structuring retention and incentive compensation plans in the Chapter 11 proceedings; and (ix) providing general consultation and other bankruptcy and business advice. A detailed breakdown of hours by professional is attached hereto as Exhibit A.

15. Blackstone respectfully submits that the compensation requested for the First Application Period for services rendered by Blackstone to the Debtors is fully justified and reasonable based upon (a) the time and labor required during the proceedings, (b) the complexity of the issues presented, (c) the skills necessary to perform the financial advisory services properly, (d) the preclusion of other employment, (e) the customary fees charged to clients in non-bankruptcy situations for similar services rendered, (f) time constraints required by the exigencies of the case, and (g) the experience, reputation and ability of the professionals rendering services.

16. Blackstone respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interests of the Debtors and the estate and have furthered the goals of all parties in interest. Blackstone respectfully submits that under all of the criteria normally examined in Chapter 11 reorganization cases, the compensation requested by Blackstone is reasonable in light of the work performed by Blackstone to date in these cases.

17. The amount of the fees and expenses sought in this First Application and Blackstone's billing processes are consistent with market practices in a bankruptcy context.

Blackstone has never billed its clients based on the number of hours expended by its professionals. Accordingly, Blackstone does not have hourly rates for its professionals, and Blackstone's professionals generally do not maintain detailed time records of the work performed for clients. In the Debtors' case, however, Blackstone has recorded time records in one-half hour increments. Time records of the approximately 1,049 hours expended by Blackstone professionals in providing financial advisory and investment banking services to the Debtors during the First Application Period are provided in Exhibit A by professional.

18. Blackstone respectfully requests allowance of its out-of-pocket expenses incurred during the First Application Period in connection with its performance of services for the Debtors in the aggregate amount of \$7,663.95. Due to the lag in receiving invoices from certain third-party service firms, Blackstone is unable, at this time, to account for all expenses incurred during the First Application Period. Ensuing compensation periods will include certain out-of-pocket expenses incurred in the First Application Period but not included in the First Application for relief. Details of the expenses incurred during the First Application Period are provided in Exhibit B. Blackstone's charges for expenses to the Debtors are determined in the same manner as for clients in non-bankruptcy matters. Out-of-pocket expenses incurred by Blackstone are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Blackstone does not factor general overhead expenses into any disbursements charged to its clients in connection with Chapter 11 cases. Blackstone has followed its general internal policies with respect to out-of-pocket expenses billed to the Debtors as set forth below, with any exceptions specifically explained.

- (a) Blackstone's general policy permits its employees to bill lunch or dinner meals to a client if the employee is required to provide services to the client during such meal-time due to extreme time constraints. Blackstone employees are permitted to order meals in the office if the Blackstone employee is required

to work after 8:00 p.m. Blackstone has voluntarily capped meal expenses at \$20.00 per meal.

- (b) Messengers, couriers, or overnight delivery are used by Blackstone to deliver hard copy documents relating to the client matter which require receipt on an expedited basis; otherwise, Blackstone uses the regular postal system. Any charges for either messengers, couriers, or overnight delivery are billed to a client at cost.
- (c) The outside financial research category consists of charges from outside services which supply, for a fee, financial documents to Blackstone. Financial research services generally consist of the retrieval of financial documents from regulatory agencies.
- (d) Blackstone bills photocopying charges at the rate of \$0.15 per page.
- (e) With respect to local travel, Blackstone's general policy enables employees to travel by private car service or taxi to and from meetings while rendering services to a client on a client related matter, for which the client is charged. This policy is based on Blackstone's determination that travel by private car service or taxi is the most efficient use of a professional's time. Blackstone employees are not permitted to charge personal commuting expenses to a client unless, for safety reasons, the employee is traveling after 8:00 p.m. and has been required to work late as a result of the time exigencies of that client's matters.
- (f) Blackstone bills its clients for time spent by its employees on its word processing system. The word processing system automatically allocates time to a client based upon the operator's "log-in" by a client matter number. Clients are charged at the personnel cost of \$70.00 per hour for the actual amount of time spent by the operator while rendering word processing services to the client; however, when word processing services are being used after normal business hours, the client is not billed for both an overtime charge and a word processing charge.
- (g) Blackstone bills outgoing facsimile charges at a rate of \$1.00 per page. Blackstone does not bill incoming facsimile charges.

19. Blackstone respectfully submits that the expenses for which it seeks allowance during the First Application Period are necessary and reasonable both in scope and amount.

20. No prior application for the relief requested herein has been made.

21. All services for which compensation is requested by Blackstone were performed for and on behalf of the Debtors and not on behalf of any other person or stakeholder.

22. No agreement or understanding exists between Blackstone and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these proceedings.

23. Blackstone respectfully represents that its First Application is in keeping with similar applications for the payment of administrative expenses in other cases.

Dated: New York, New York
July 27, 2001

THE BLACKSTONE GROUP L.P.
Financial Advisor to W.R. Grace &
Co.

By: Pamela D Zilly

Pamela Zilly
Senior Managing Director
345 Park Avenue
New York, NY 10154
(212) 583-5000
(212) 583-5707 (fax)

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	:	
	:	Chapter 11
	:	
W.R GRACE & CO., et al.,	:	Case No. 01-01139 (JJF)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	
	:	

AFFIDAVIT

STATE OF NEW YORK)

) ss. :

COUNTY OF NEW YORK)

Pamela Zilly being duly sworn, deposes and says:

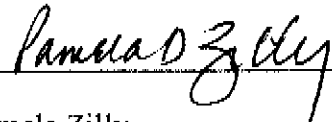
1. I am a Senior Managing Director of the firm of The Blackstone Group L.P. ("Blackstone"), which firm maintains offices for providing financial advisory services at 345 Park Avenue, New York, New York 10154. Blackstone is acting as Financial Advisor for the above captioned debtors and debtors in possession (collectively, the "Debtors") in the captioned case.

2. This affidavit is submitted pursuant to Delaware Bankruptcy Local Rule 2016-2 in connection with Blackstone's First Monthly Fee Application (the "First Application") for an allowance of compensation for services rendered to the Debtors for the period from April 2, 2001 through June 30, 2001 (the "First Application Period") in the amount of (i) \$519,166.67 in monthly fees and (ii) the reimbursement of expenses incurred in connection therewith in the sum of \$7,663.95.

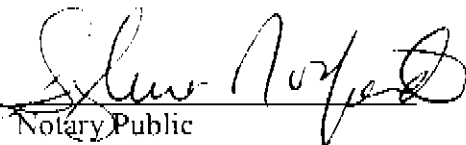
3. All of the services for which compensation is sought by Blackstone were performed for and on behalf of the Debtors and not on behalf of any other person or stakeholder.

4. No agreement or understanding exists between Blackstone and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these cases.

5. I have reviewed and I understand the requirements of Delaware Bankruptcy Local Rule 2016-2 and I believe that this First Application fully complies with all provisions contained in said Order.

By: 
Pamela Zilly
Senior Managing Director

Sworn to before me this
27 day of July 2001


Notary Public

SYLVIA M. NORFORD
Notary Public, State of New York
No. 01NO4884880
Qualified in New York County
Commission Expires February 2, 2003

EXHIBIT A

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS FOR
W. R. GRACE AND CO.
APRIL 2, 2001 - APRIL 30, 2001**

Professional	Title	Hours
Pamela Zilly	Senior Managing Director	88.5
Richard Shinder	Vice President	81.5
David Blechman	Associate	57.0
Michael Alexander	Analyst	50.5
		<u><u>277.5</u></u>

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
APRIL 2, 2001 - APRIL 30, 2001

Professional	Date	Hours	Explanation
Pamela Zilly	04/02/01	0.5	Calls with shareholders re: filing
Pamela Zilly	04/02/01	1.0	Review relevant first day motions re: hearing
Pamela Zilly	04/02/01	2.5	Travel to Wilmington; review financials and documents related to DIP
Pamela Zilly	04/02/01	3.5	Attend first day hearing
Pamela Zilly	04/02/01	2.0	Post-hearing meeting with D. Bernick, K. Kapp, Grace management, call with P. Norris
Pamela Zilly	04/02/01	2.5	Travel to New York
Pamela Zilly	04/03/01	0.5	Meeting with R. Shinder, D. Blechman re: First day hearing
Pamela Zilly	04/03/01	0.5	Call with P. Norris re: constituency responses
Pamela Zilly	04/04/01	1.0	Calls with K. Coghlan re: workplan of meetings, first day issues
Pamela Zilly	04/04/01	1.5	Review materials re: possible acquisitions
Pamela Zilly	04/05/01	0.5	Call with K. Coghlan re: acquisitions
Pamela Zilly	04/05/01	2.0	Read financial/operational plans
Pamela Zilly	04/05/01	2.0	Read informational brief; motion for temporary injunction
Pamela Zilly	04/06/01	0.5	Meeting with K. Coghlan, R. Shinder re: first day issues
Pamela Zilly	04/09/01	1.5	Call with M. Shelnitz, S. Schwartz, R. Shinder re: acquisition approval methodology
Pamela Zilly	04/09/01	0.5	Call with K. Coghlan re: memos
Pamela Zilly	04/09/01	2.5	Prepare memo re: post filing financial requirements
Pamela Zilly	04/09/01	2.0	Review, revise memo re: 6/27 Managers' Meeting
Pamela Zilly	04/10/01	1.0	Calls with K. Coghlan re: revision of memos
Pamela Zilly	04/10/01	3.0	Prepare memo re: 4/16 meeting
Pamela Zilly	04/10/01	0.5	Discussion with R. Shinder re: B. Tarola request
Pamela Zilly	04/10/01	1.0	Review analysis re: Tarola request
Pamela Zilly	04/11/01	0.5	Call with B. Tarola re: comparable company analysis
Pamela Zilly	04/11/01	0.5	Call with K. Coghlan re: acquisitions
Pamela Zilly	04/11/01	1.0	Call w/ Grace management re: 6/27 Managers' Meeting
Pamela Zilly	04/11/01	1.5	Call with Grace management re: banks opposition to critical vendor motion
Pamela Zilly	04/11/01	1.0	Review market information provided to B. Tarola
Pamela Zilly	04/11/01	1.5	Meeting with R. Shinder re: materials for 4/16 meeting, case issues
Pamela Zilly	04/12/01	3.0	Prepare materials for 4/16 meeting w/ Grace management
Pamela Zilly	04/16/01	0.5	Read motion in support of preliminary injunction
Pamela Zilly	04/16/01	2.5	Travel to Columbia
Pamela Zilly	04/16/01	6.5	Meeting with Grace management re: financial, strategic issues
Pamela Zilly	04/16/01	2.5	Travel to New York
Pamela Zilly	04/17/01	0.5	Call with M. Shelnitz re: Claim form
Pamela Zilly	04/19/01	1.0	Review financial projections
Pamela Zilly	04/18/01	0.5	Call with K. Coghlan re: critical vendor motion

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
APRIL 2, 2001 - APRIL 30, 2001

Professional	Date	Hours	Explanation
Pamela Zilly	04/19/01	1.0	Call with K. Coghlan re: critical vendor motion
Pamela Zilly	04/19/01	2.0	Call with Grace management re: critical vendor motion
Pamela Zilly	04/19/01	1.0	Review materials re: critical vendor payments
Pamela Zilly	04/19/01	1.0	Discussion with R. Shinder re: critical vendor opposition
Pamela Zilly	04/20/01	2.0	Call with Grace management, Unsecured Committee's advisors, T. Maher re: critical vendor motion
Pamela Zilly	04/23/01	1.0	Read 10K
Pamela Zilly	04/23/01	0.5	Call with K. Coghlan re: court issues
Pamela Zilly	04/24/01	1.0	Discussion with R. Shinder, D. Blechman re: Business Plan outline
Pamela Zilly	04/24/01	0.5	Review, revise memo re: Business Plan
Pamela Zilly	04/24/01	1.5	Review material re: potential acquisition
Pamela Zilly	04/25/01	0.5	Call with K. Coghlan re: Court issues
Pamela Zilly	04/26/01	3.5	Read financial data
Pamela Zilly	04/27/01	1.5	Calls with K. Coghlan, M Hunter re: DIP objection data
Pamela Zilly	04/27/01	1.0	Discussion with R. Shinder, M. Alexander re: DIP comparable analysis
Pamela Zilly	04/27/01	0.5	Read draft final order re: DIP
Pamela Zilly	04/28/01	1.0	Review financial information re: DIP
Pamela Zilly	04/28/01	1.0	Call with L. Mendel, B. Tarola, M. Hunter, J. Sprayregen re: DIP
Pamela Zilly	04/29/01	2.0	Read divisional strategic plans re: preparation for DIP hearing
Pamela Zilly	04/30/01	1.0	Read DIP objection
Pamela Zilly	04/30/01	2.0	Read and provide comments on draft response to DIP objection; call with L. Mendel
Pamela Zilly	04/30/01	1.0	Meeting with R. Shinder re: comments/additions to DIP response, affidavit
Pamela Zilly	04/30/01	2.5	Calls with B. Tarola, M. Hunter, K. Coghlan, D. Siegel re: DIP objection, strategy
Pamela Zilly	04/30/01	0.5	Read Motion in Support of TRO
Pamela Zilly	04/30/01	2.5	Review financial projections associated with DIP motion
Pamela Zilly	04/30/01	1.0	Read Zonolite information brief, motions re: automatic stay

88.5

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
APRIL 2, 2001 - APRIL 30, 2001

Professional	Date	Hours	Explanation
Richard Shinder	04/03/01	0.5	Discussion with P. Zilly, D. Blechman re: First day hearing
Richard Shinder	04/03/01	2.0	Review of materials regarding possible acquisitions
Richard Shinder	04/03/01	1.0	Call with S. Farnsworth re: business plan
Richard Shinder	04/04/01	1.0	Calls with K. Coghlan re: workplan of meetings, first day issues
Richard Shinder	04/05/01	0.5	Call with S. Farnsworth re: business plan
Richard Shinder	04/05/01	0.5	Call with K. Coghlan re: 4/16 meeting
Richard Shinder	04/06/01	1.0	Meeting with K. Coghlan, P. Zilly re: various topics
Richard Shinder	04/06/01	3.0	Review of strategic plans re: business plan development
Richard Shinder	04/06/01	1.0	Call with D. Blechman, S. Farnsworth re: business plan
Richard Shinder	04/06/01	1.0	Review Betty analysis
Richard Shinder	04/09/01	2.0	Review of Grace information brief; work on strategic memo
Richard Shinder	04/09/01	1.5	Call with P. Zilly, M. Shelnitz, S. Schwartz re: acquisition approval methodology
Richard Shinder	04/09/01	0.5	Discussion of Project Betty with K. Coghlan
Richard Shinder	04/09/01	0.5	Call with B. Monroe (Grace consultant) re: Grace incentive compensation
Richard Shinder	04/09/01	1.0	Work on management meeting memo
Richard Shinder	04/09/01	3.0	Work on Grace strategic memo
Richard Shinder	04/10/01	1.0	Work on management meeting memo
Richard Shinder	04/10/01	0.5	Call with Tarola regarding Deferred Tax Asset accounting
Richard Shinder	04/10/01	1.0	Work on Strategic memo
Richard Shinder	04/10/01	0.5	Discussion with P. Zilly re: B. Tarola request
Richard Shinder	04/10/01	1.0	Work on Grace comparable company analysis with Blochman, Alexander
Richard Shinder	04/10/01	0.5	Call with K. Coghlan re: same
Richard Shinder	04/10/01	1.0	Calls with K. Coghlan re: revision of memos
Richard Shinder	04/10/01	3.5	Review of operating plans re: business plan development
Richard Shinder	04/11/01	1.0	Call with S. Farnsworth re: business plan
Richard Shinder	04/11/01	1.0	Prepare for 4/16 meeting
Richard Shinder	04/11/01	0.5	Call with Coghlan re: Grace comps
Richard Shinder	04/11/01	0.5	Call with B. Tarola re: comparable company analysis
Richard Shinder	04/11/01	1.5	Call with Grace management re: banks opposition to critical vendor motion
Richard Shinder	04/11/01	1.5	Meeting with P. Zilly re: materials for 4/16 meeting, acquisitions
Richard Shinder	04/11/01	1.0	Review market information provided to B. Tarola
Richard Shinder	04/16/01	2.5	Transit to Grace meeting - Columbia, MD
Richard Shinder	04/16/01	6.5	Meeting at Grace with Coghlan, Norris, Tarola, Siegel
Richard Shinder	04/16/01	2.5	Transit to NYC from Grace meeting
Richard Shinder	04/17/01	1.0	Review of financial information
Richard Shinder	04/17/01	0.5	Review of Grace financials/e-mail on business plan

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
APRIL 2, 2001 - APRIL 30, 2001**

Professional	Date	Hours	Explanation
Richard Shinder	04/18/01	1.0	Calls with P. Hanlon/S. Farnsworth re: business plan/Peter presentation meeting
Richard Shinder	04/19/01	1.0	Discussion with P. Zilly re: critical vendor materials
Richard Shinder	04/23/01	2.5	Transit to Grace meeting - Cambridge, MA
Richard Shinder	04/23/01	6.0	Meeting in Cambridge, MA re: Grace development of business plan & financial forecasts
Richard Shinder	04/23/01	2.5	Transit to NYC from Grace meeting
Richard Shinder	04/23/01	2.0	Meeting on Project Peter
Richard Shinder	04/24/01	1.0	Discussion with P. Zilly, D. Blechman re: Business Plan outline
Richard Shinder	04/24/01	0.5	Call with Coghlan re: Project Peter
Richard Shinder	04/24/01	0.5	Read Grace Business Plan memos
Richard Shinder	04/24/01	2.0	Review of financials
Richard Shinder	04/25/01	1.0	Meeting with D. Blechman re: Peter analysis
Richard Shinder	04/25/01	1.0	Review of Project Peter materials
Richard Shinder	04/26/01	1.0	Calls with K. Coghlan re: Peter, other matters
Richard Shinder	04/27/01	2.0	Review of Grace 10K
Richard Shinder	04/27/01	1.0	Discussion with P. Zilly, M. Alexander re: DIP comparable analysis
Richard Shinder	04/30/01	1.0	Discussion with Alexander re: bankruptcy tracking
Richard Shinder	04/30/01	1.5	Calls with B. Tarola, M. Hunter, K. Coghlan, D. Siegel re: DIP objection, strategy
Richard Shinder	04/30/01	1.5	Review of financial information, calls with M. Hunter re: DIP
Richard Shinder	04/30/01	0.5	Read Motion in Support of TRO
Richard Shinder	04/30/01	1.0	Read and provide comments on DIP response, discussion with P. Zilly re: same
Richard Shinder	04/30/01	1.0	Review financial projections associated with DIP motion
Richard Shinder	04/30/01	1.0	Work on DIP comparables analysis for Court hearing
		<u>81.5</u>	

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
APRIL 2, 2001 - APRIL 30, 2001

Professional	Date	Hours	Explanation
David Blechman	04/03/01	2.5	Collected materials for informational memo to Norris re: strategic issues
David Blechman	04/03/01	0.5	Discussion with R. Shinder, P. Zilly re: First day hearing
David Blechman	04/04/01	2.5	Developed outline of financial model with M. Alexander
David Blechman	04/04/01	2.5	Worked on outline of financial model
David Blechman	04/06/01	1.0	Call with R. Shinder, S. Farnsworth re: business plan outline
David Blechman	04/10/01	4.0	Read Davison strategy plan, develop outline for business plan
David Blechman	04/10/01	1.0	Discussion with K. Coghlan, R. Shinder, M. Alexander re: comparable companies
David Blechman	04/10/01	1.0	Review draft comparable company analysis
David Blechman	04/11/01	1.5	Call with Grace management re: banks opposition to critical vendor motion
David Blechman	04/11/01	1.0	Call with Grace management re: key managers meeting
David Blechman	04/11/01	3.5	Read Performance Chemical strategic plan; develop outline for business plan
David Blechman	04/15/01	2.5	Read silicas/adsorbents strategic plan
David Blechman	04/16/01	4.0	Read Davison operating plan, develop outline for business plan
David Blechman	04/16/01	4.0	Read silicas/adsorbents operating plan; develop outline for business plan
David Blechman	04/17/01	5.0	Read Performance Chemicals/ Hydroprocessing operating plans
David Blechman	04/22/01	4.0	Prepared background data for April 23rd meeting in Cambridge regarding project Peter w/ Alexander.
David Blechman	04/23/01	2.5	Travel to Cambridge
David Blechman	04/23/01	5.0	Attended meeting in Cambridge with S. Farnsworth, M. Brown, B. Dockman, R. Rowan re: business plan
David Blechman	04/23/01	2.5	Travel to New York
David Blechman	04/24/01	1.0	Discussion with R. Shinder, P. Zilly re: Business Plan outline
David Blechman	04/24/01	3.0	Prepared package re: business plan
David Blechman	04/25/01	1.0	Meeting with R. Shinder re: Peter analysis
David Blechman	04/27/01	1.5	Review DIP comparables materials
		<u>57.0</u>	

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
APRIL 2, 2001 - APRIL 30, 2001

Professional	Date	Hours	Explanation
Michael Alexander	04/04/01	2.5	Developed outline of financial model with D. Blechnan.
Michael Alexander	04/09/01	4.0	Prepared analysis on comparable companies within the industry.
Michael Alexander	04/10/01	1.0	Discussed relevant acquisition comparables with R. Shinder, D. Blechnan and K. Coghlan.
Michael Alexander	04/10/01	6.5	Pulled research on comparable transactions within the industry.
Michael Alexander	04/10/01	3.0	Reviewed research and identified relevant transactions.
Michael Alexander	04/11/01	1.0	Discussed acquisition research with R. Shinder.
Michael Alexander	04/11/01	9.0	Created comparable acquisition model based on recent transactions.
Michael Alexander	04/12/01	5.0	Prepare analysis re: comparable company valuations
Michael Alexander	04/22/01	4.0	Background analysis of project Peter with D. Blechnan in preparation for April 23 meeting in Cambridge.
Michael Alexander	04/24/01	4.5	Assisted D. Blechnan in preparation of package re: business plan.
Michael Alexander	04/27/01	1.0	Discussion with R. Shinder, P. Zilly re: DIP comparable analysis
Michael Alexander	04/30/01	1.0	Discussion with R. Shinder re: bankruptcy tracking
Michael Alexander	04/30/01	8.0	Researched terms of recent Debtor-In-Possession facilities
		<u>50.5</u>	

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS FOR
W. R. GRACE AND CO.
MAY 1, 2001 - MAY 31, 2001**

Professional	Title	Hours
Pamela Zilly	Senior Managing Director	91.5
Richard Shinder	Vice President	99.5
David Blechman	Associate	85.0
Michael Alexander	Analyst	87.5
		<u><u>363.5</u></u>

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
MAY 1, 2001 - MAY 31, 2001**

Professional	Date	Hours	Explanation
Pamela Zilly	05/01/01	2.0	Calls with L. Mandel, M. Hunter, B. Tarola re: status of DIP objection
Pamela Zilly	05/01/01	1.0	Call with Credit Lyonnais re: DIP objection; Meeting
Pamela Zilly	05/01/01	1.0	Analysis of DIP needs
Pamela Zilly	05/01/01	3.0	Read strategic, operating plans for Grace business segments
Pamela Zilly	05/02/01	1.0	Review financial statements re: Credit Lyonnais meeting
Pamela Zilly	05/02/01	1.5	Calls with B. Tarola, M. Hunter, L. Mandel, R. Shinder re: Credit Lyonnais meeting
Pamela Zilly	05/02/01	2.0	Meeting/call with Credit Lyonnais, B. Tarola, M. Hunter re: DIP objection
Pamela Zilly	05/02/01	1.0	Call with B. Tarola, L. Mandel re: Credit Lyonnais meeting
Pamela Zilly	05/02/01	1.0	Review DIP comparable analysis
Pamela Zilly	05/02/01	2.5	Travel to Wilmington
Pamela Zilly	05/03/01	1.5	Pre-hearing meeting with J. Kapp, B. Tarola
Pamela Zilly	05/03/01	3.0	Attend hearing
Pamela Zilly	05/03/01	1.0	Post hearing meeting
Pamela Zilly	05/03/01	2.5	Travel to New York
Pamela Zilly	05/03/01	2.0	Meeting with R. Shinder, D. Blechman re: business plan
Pamela Zilly	05/09/01	0.5	Read Siegel declaration re: preliminary injunction
Pamela Zilly	05/09/01	0.5	Call with J. Kapp re: retention
Pamela Zilly	05/09/01	1.0	Meeting with R. Shinder re: case status
Pamela Zilly	05/09/01	1.0	Call with R. Raskin re: retention
Pamela Zilly	05/09/01	2.0	Conference call with company senior management re: prep for 5/17 process review and 6/27 Key Manager meetings
Pamela Zilly	05/09/01	2.0	Analysis of trust mechanisms in related tort bankruptcies
Pamela Zilly	05/10/01	0.5	Read motion re: reclamation claims
Pamela Zilly	05/10/01	1.5	Analysis of economics in related tort bankruptcies
Pamela Zilly	05/10/01	1.5	Review notice programs/ relevant cases re: bar date
Pamela Zilly	05/11/01	0.5	Call with K. Coghlan re: meetings on for 5/17, 6/27
Pamela Zilly	05/11/01	2.0	Meeting with R. Shinder, Blechman, Alexander re: analysis for 5/17 meeting
Pamela Zilly	05/14/01	2.5	Review and make comments to advisors' protocol memo
Pamela Zilly	05/14/01	0.5	Review motion re: removal of actions
Pamela Zilly	05/14/01	0.5	Call with Grace bank debt holder
Pamela Zilly	05/14/01	3.0	Review and provide comments on 5/17 presentation
Pamela Zilly	05/14/01	0.5	Call with K. Coghlan re: 5/22 meeting materials
Pamela Zilly	05/15/01	0.5	Call with M. Thompson re: retention

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
MAY 1, 2001 - MAY 31, 2001**

Professional	Date	Hours	Explanation
Pamela Zilly	05/15/01	3.0	Review data re: bankruptcy acquisitions
Pamela Zilly	05/15/01	1.0	Review materials re: possible acquisition
Pamela Zilly	05/15/01	1.0	Call with S. Zelac re: possible acquisition
Pamela Zilly	05/15/01	1.5	Review and provide comments on materials for 5/17 meeting
Pamela Zilly	05/15/01	0.5	Call with K. Coghlan re: schedule of meetings
Pamela Zilly	05/15/01	1.0	Discussion with R. Shinder re: acquisition financing
Pamela Zilly	05/15/01	1.0	Discussion with R. Shinder, D. Blechman re: Grace presentation
Pamela Zilly	05/15/01	1.0	Discussion of Project Betty with R. Shinder
Pamela Zilly	05/16/01	0.5	Read 10-Q
Pamela Zilly	05/16/01	3.0	Review materials, make revisions to presentation for 5/17 meeting
Pamela Zilly	05/17/01	6.0	Meetings with Grace management re: case strategy, financial analysis
Pamela Zilly	05/18/01	0.5	Call with K. Coghlan re: 5/22 meeting
Pamela Zilly	05/18/01	2.5	Review presentation for 5/22 meeting, reconcile with prior presentations
Pamela Zilly	05/18/01	1.5	Call with Grace management re: 5/22 presentation
Pamela Zilly	05/18/01	0.5	Review CDG information request list
Pamela Zilly	05/18/01	1.0	Discussion with R. Shinder re: Grace 5/22 meeting
Pamela Zilly	05/21/01	1.5	Meeting with G. Boyer of CDG re: case status, due diligence process
Pamela Zilly	05/21/01	0.5	Review P&M information request list
Pamela Zilly	05/21/01	1.0	Call with K. Coghlan re: due diligence process, creditors meeting
Pamela Zilly	05/22/01	1.0	Pre-meeting with Grace management
Pamela Zilly	05/22/01	1.0	Meeting with R. Tarola, E. Ordway re: scope of service
Pamela Zilly	05/22/01	2.5	Meeting with Grace management and Unsecured Creditors Committee
Pamela Zilly	05/23/01	1.0	Discussion with R. Shinder re: project PI
Pamela Zilly	05/24/01	1.0	Review proposed monthly operating report
Pamela Zilly	05/24/01	1.5	Meeting with R. Shinder, D. Blechman re: Proposed Monthly Operating Report data
Pamela Zilly	05/24/01	1.0	Discussion with R. Shinder re: employee programs
Pamela Zilly	05/24/01	1.0	Review materials related to possible acquisition
Pamela Zilly	05/29/01	0.5	Discussion with R. Shinder re: due diligence requests
Pamela Zilly	05/30/01	2.0	Call with K. Coghlan, M. Shelnitz re: financial advisors' requests
Pamela Zilly	05/30/01	0.5	Read memo from M. Hunter, discussion with F. Gilbert re: Trustee comments
Pamela Zilly	05/30/01	0.5	Read motions re: leases, prepetition payments
Pamela Zilly	05/30/01	1.0	Read April Monthly Operating report

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
MAY 1, 2001 - MAY 31, 2001**

Professional	Date	Hours	Explanation
Pamela Zilly	05/31/00	0.5	Review and call with R. Higgins re: retention order
Pamela Zilly	05/31/01	1.5	Calls with F. Gilbert, K. Coghlan, S. Shwarz re: Trustee report
		<u>91.5</u>	

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
MAY 1, 2001 - MAY 31, 2001

Professional	Date	Hours	Explanation
Richard Shinder	05/01/01	1.0	Work on DIP comps/requirements
Richard Shinder	05/01/01	1.0	Development of business plan outline/structure
Richard Shinder	05/02/01	1.5	Calls with B. Tarola, M. Hunter, L. Mandel, P. Zilly re: Credit Lyonnais meeting
Richard Shinder	05/02/01	2.0	Meeting with Credit Lyonnais - Coco Shean re: Grace DIP objection
Richard Shinder	05/02/01	1.0	Follow-up call on DIP objection with Tarola/Siegel/Coghlan
Richard Shinder	05/02/01	1.0	Follow-up call on DIP objection Siegel, Tarola, Coghlan
Richard Shinder	05/02/01	1.5	Development and review of DIP Comps with Alexander
Richard Shinder	05/02/01	2.5	Transit to Wilmington, DE
Richard Shinder	05/03/01	1.5	Prepare for Grace court hearing with Zilly, Tarola, Sprayregen, et al
Richard Shinder	05/03/01	3.0	Grace Court Hearing
Richard Shinder	05/03/01	1.0	Follow-up meeting with Grace/K&E on litigation strategy
Richard Shinder	05/03/01	2.5	Transit to New York from Wilmington, DE
Richard Shinder	05/03/01	1.0	Review of Grace business plan outline & timeline
Richard Shinder	05/03/01	2.0	Meeting with P/ Zilly, D. Blechman re: business plan
Richard Shinder	05/04/01	1.0	Discussion with D. Blechman re: Grace spin-off transactions
Richard Shinder	05/04/01	1.0	Retention/severance review and analysis
Richard Shinder	05/04/01	1.0	Review of business plan/financial model timetable
Richard Shinder	05/07/01	1.0	Preparation for 5/17 process review meeting
Richard Shinder	05/08/01	1.0	Review of Project Peter
Richard Shinder	05/08/01	1.0	Review of attic fill information brief
Richard Shinder	05/08/01	2.5	Research on current events in other asbestos - related Chapter 11s and update 5/10 board meeting
Richard Shinder	05/09/01	2.0	Research on current events in other asbestos - related Chapter 11s and update 5/10 board meeting
Richard Shinder	05/09/01	1.0	Call with K&E and Stroock & Stroock re: TBG retention
Richard Shinder	05/09/01	0.5	Review of tracking of asbestos filings with Alexander
Richard Shinder	05/09/01	1.0	Meeting with P. Zilly re: case status
Richard Shinder	05/10/01	2.0	Discussion/work with Blechman on business plan
Richard Shinder	05/11/01	2.0	Review of comments on 5/17 meeting agenda
Richard Shinder	05/11/01	2.0	Meeting with P. Zilly, Blechman, Alexander re: analysis for 5/17 meeting
Richard Shinder	05/11/01	1.0	Development of financial advisor information protocol
Richard Shinder	05/14/01	2.0	Review development of information protocols for Grace 5/17 meeting
Richard Shinder	05/14/01	2.0	Review of asbestos reorganization equity analysis with Blechman and Alexander
Richard Shinder	05/14/01	1.0	Review of Grace asbestos case tracking database

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
MAY 1, 2001 - MAY 31, 2001**

Professional	Date	Hours	Explanation
Richard Shinder	05/15/01	1.0	Review of Grace 5/17 presentation information protocols, asbestos reorganization
Richard Shinder	05/15/01	1.0	Discussion with P. Zilly re: Project Betty
Richard Shinder	05/15/01	1.0	Project Pi - conference call with company representatives
Richard Shinder	05/15/01	1.0	Discussed Grace 5/17 presentation with Zilly, Blechman
Richard Shinder	05/15/01	1.0	Discussion with P. Zilly re: acquisition financing
Richard Shinder	05/15/01	2.0	Review of Grace 5/17 presentation
Richard Shinder	05/16/01	5.0	Revisions to presentation for 5/17 meeting, including discussions with Alexander
Richard Shinder	05/17/01	5.5	Meeting with Norris, Siegel, Tarola, Coghlan, Gilbert, Zilly, Blechman and Alexander on various topics
Richard Shinder	05/17/01	1.0	Review of Grace business plan model template with Blechman
Richard Shinder	05/18/01	1.0	Discussion with Zilly re: Grace 5/22 meeting
Richard Shinder	05/18/01	0.5	Review of Grace business plan timeline
Richard Shinder	05/18/01	1.0	Call with Farnsworth, Coghlan, Zelak, Rowan, Blechman re: business plan
Richard Shinder	05/18/01	1.0	Review of materials for 5/22 presentation
Richard Shinder	05/21/01	1.5	Meeting with Boyer/Katz of CDG re: Grace information request and committee information sharing protocols
Richard Shinder	05/21/01	1.0	Review of Project Peter
Richard Shinder	05/21/01	1.0	Review of 5/22 Grace presentation
Richard Shinder	05/22/01	1.5	Preparation for meeting with unsecured creditors committee
Richard Shinder	05/22/01	2.0	Meeting with unsecured creditors committee at J.P. Morgan, Chase
Richard Shinder	05/23/01	0.5	Prepare for Grace call
Richard Shinder	05/23/01	1.0	Various calls with K. Coghlan, various topics
Richard Shinder	05/23/01	1.0	Call with Grace re: Project Pi
Richard Shinder	05/23/01	1.0	Discussion with P. Zilly re: project Pi approach
Richard Shinder	05/24/01	1.0	Review/analysis of retention/severance program
Richard Shinder	05/24/01	1.0	Discussion with P. Zilly re: compensation programs
Richard Shinder	05/24/01	1.5	Meeting with P. Zilly, D. Blechman re: Proposed Monthly Operating Report data
Richard Shinder	05/24/01	1.0	Grace call re: Project Peter with Coghlan, Hanlon, Smith and Rowan
Richard Shinder	05/29/01	2.5	Preparation/consolidation of P&M/CDG due diligence lists and responses
Richard Shinder	05/29/01	0.5	Discussion with P. Zilly re: Due diligence requests
Richard Shinder	05/29/01	1.0	Revise business plan timeline w/Blechman
Richard Shinder	05/29/01	2.5	Call with company re: committee presentation, acquisition presentation, data requests
Richard Shinder	05/30/01	2.0	Development of committee/advisors/counsel description memo
Richard Shinder	05/30/01	2.0	Call with company re: meeting schedules, committee information requests

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
MAY 1, 2001 - MAY 31, 2001**

Professional	Date	Hours	Explanation
Richard Shinder	05/31/01	2.0	Calls with CDG, P&M regarding coordination of June meeting with Company
Richard Shinder	05/31/01	1.5	Calls with F. Gilbert, K. Coughlan, S. Schwartz re: Trustee report
Richard Shinder	05/31/01	1.0	Work on letter response for CDG/P&M information requests
		<u>99.5</u>	

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
MAY 1, 2001 - MAY 31, 2001

Professional	Date	Hours	Explanation
David Blechman	05/01/01	1.0	Review DJP comparable analysis
David Blechman	05/03/01	2.5	Prepare draft outline for business plan production
David Blechman	05/03/01	2.0	Meeting with P. Zilly, R. Shinder re: business plan
David Blechman	05/04/01	1.0	Discussion with R. Shinder re: Grace spin-off transactions
David Blechman	05/08/01	1.0	Prepared for call on 5/9 regarding 5/17 meeting.
David Blechman	05/09/01	2.0	Call with company re: 5/17 meeting in NY re: committee meeting, strategy
David Blechman	05/10/01	2.0	Discussion/work with Shinder on business plan
David Blechman	05/10/01	2.5	Performed analysis of prior mass-tort bankruptcies
David Blechman	05/11/01	3.0	Continued analysis of same.
David Blechman	05/11/01	2.0	Meeting with R. Shinder, P. Zilly, M. Alexander re: analysis for 5/17 meeting
David Blechman	05/14/01	8.0	Prepared analysis for 5/17 meeting in NY re: committee meeting, strategy, including meeting w/R. Shinder
David Blechman	05/15/01	6.0	Prepared analysis for 5/17 meeting in NY re: committee meeting, strategy
David Blechman	05/15/01	1.0	Discussed Grace 5/17 presentation with Zilly, Shinder
David Blechman	05/16/01	7.5	Prepared analysis for 5/17 meeting in NY re: committee meeting, strategy
David Blechman	05/17/01	1.0	Prepared for meeting with mgmt. re: committee meeting, strategy
David Blechman	05/17/01	5.5	Attended meeting with mgmt. re: committee meeting, strategy
David Blechman	05/17/01	1.0	Review of Grace business plan model template with Shinder
David Blechman	05/17/01	2.0	Prepare follow-up analysis re: 5/17 meeting
David Blechman	05/18/01	3.0	Prepare analysis re: comparable companies market value
David Blechman	05/18/01	1.0	Call with S. Farnsworth re: business plan
David Blechman	05/18/01	2.5	Analysis re: monthly operating report, segment information
David Blechman	05/23/01	1.5	Call with W. Smith, K. Coghlan re: Project Peter
David Blechman	05/23/01	6.5	Prepare model outline for business plan financials
David Blechman	05/24/01	2.0	Prepared example of business plan for company management
David Blechman	05/24/01	1.0	Call with W. Smith, K. Coghlan re: Project Peter
David Blechman	05/24/01	1.5	Meeting with P. Zilly, R. Shinder re: Proposed Monthly Operating Report data
David Blechman	05/25/01	6.5	Prepare model outline for business plan projections
David Blechman	05/29/01	1.0	Meeting with R. Shinder re: Business Plan
David Blechman	05/30/01	5.0	Draft sections of business plan
David Blechman	05/30/01	1.5	Meeting with M. Alexander re: balance sheet items
David Blechman	05/30/01	1.0	Call W/ Grace management re: due diligence process
		<u>85.0</u>	

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
MAY 1, 2001 - MAY 31, 2001**

Professional	Date	Hours	Explanation
Michael Alexander	05/01/01	7.5	Reviewed information on recent DIP facilities
Michael Alexander	05/02/01	6.5	Produced database of recent DIP facilities, including mtg w/Shinder
Michael Alexander	05/03/01	8.0	Researched terms of recent employee retention and severance programs.
Michael Alexander	05/04/01	6.5	Compiled summary information on recent employee retention and severance programs.
Michael Alexander	05/08/01	4.0	Compiled information on recent tort-related bankruptcies.
Michael Alexander	05/08/01	3.5	Develop database of tort bankruptcies.
Michael Alexander	05/09/01	0.5	Review of tracking of asbestos filings with R. Shinder
Michael Alexander	05/11/01	2.0	Meeting with P. Zilly, R. Shinder, D. Blechman re: work for 5/17 meeting.
Michael Alexander	05/11/01	5.0	Compiled information on plan economics of tort-related bankruptcies.
Michael Alexander	05/13/01	5.5	Created ownership summary (pre-filing and post-emergence) of stakeholders in tort-related bankruptcies.
Michael Alexander	05/14/01	2.0	Discussions with Shinder, Blechman re: equity analysis
Michael Alexander	05/15/01	4.0	Added additional cases to summary of plan economics.
Michael Alexander	05/15/01	6.0	Reviewed Disclosure Statements & PORs of companies in tort-related bankruptcies.
Michael Alexander	05/16/01	2.0	Discussed plan economics with D. Blechman, R. Shinder.
Michael Alexander	05/16/01	4.5	Reviewed additional Disclosure Statements & PORs of companies in tort-related bankruptcies.
Michael Alexander	05/16/01	5.5	Developed presentation materials relating to ownership and plan economics in tort-related bankruptcies.
Michael Alexander	05/17/01	5.5	Meeting with P. Norris, R. Tarola, K. Coghlan, P. Zilly, R. Shinder, D. Blechman re. committee meeting, strategy.
Michael Alexander	05/24/01	7.5	Prepared example of business plan for company management
Michael Alexander	05/30/01	1.5	Meeting with D. Blechman re: balance sheet items
		<u>87.5</u>	

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS FOR
W. R. GRACE AND CO.
JUNE 1, 2001 - JUNE 30, 2001**

Professional	Title	Hours
Pamela Zilly	Senior Managing Director	101.0
Richard Shinder	Vice President	108.0
David Blechman	Associate	104.0
Michael Alexander	Analyst	95.0
		<u><u>408.0</u></u>

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
JUNE 1, 2001 - JUNE 30, 2001**

Professional	Date	Hours	Explanation
Pamela Zilly	06/01/01	0.5	Call with K. Coghlan re: 5/31 calls; 6/27 presentation
Pamela Zilly	06/01/01	1.0	Meeting with R. Shinder, D. Blechman re: business plan
Pamela Zilly	06/04/01	1.5	Review management presentations for 6/14 meeting w/ Committees' advisors
Pamela Zilly	06/05/01	1.5	Call with F. Gilbert, B. Tarola, K. Coghlan re: presentation and discovery requests
Pamela Zilly	06/05/01	0.5	Discussion with R. Shinder re: call
Pamela Zilly	06/05/01	0.5	Call with K. Coghlan re: 6/14 presentation, confidentiality agreements
Pamela Zilly	06/05/01	1.0	Calls with J. Kapp, R. Higgins re: confidentiality agreements
Pamela Zilly	06/05/01	1.5	Lunch/Meeting with Bank of America, DIP agent
Pamela Zilly	06/05/01	2.0	Review confidentiality agreements, calls with J. Kapp, R. Higgins
Pamela Zilly	06/05/01	1.5	Call with Grace management re: presentation, Committees' advisors info requests
Pamela Zilly	06/06/01	0.5	Call with P. Norris re: Unsecured Committee
Pamela Zilly	06/07/01	0.5	Read Motion re: Preliminary Injunction Modification
Pamela Zilly	06/08/01	1.5	Review presentation for 6/14 meeting, calls with F. Gilbert, K. Coghlan
Pamela Zilly	06/08/01	2.0	Review materials provided in response to P&M, CDG due diligence requests
Pamela Zilly	06/08/01	0.5	Meeting with R. Shinder re: status of Committee's advisors
Pamela Zilly	06/11/01	1.0	Call on bankruptcy expense process w/ B. Tarola, M. Hunter, K. Coghlan, D. Siegel, J. Kapp
Pamela Zilly	06/11/01	1.0	Call with J. Kapp re: status of confidentiality agreements
Pamela Zilly	06/11/01	1.0	Meeting with R. Shinder re: employee programs, confidentiality status
Pamela Zilly	06/11/01	0.5	Discussion with K. Coghlan re: confidentiality agreements; meeting on 6/14
Pamela Zilly	06/11/01	0.5	Read Motion Re: Notice Period for Settlement and Performance Agreements
Pamela Zilly	06/13/01	0.5	Review EBITDA growth memo
Pamela Zilly	06/13/01	0.5	Call with R. Shinder re: status of confidentiality agreements
Pamela Zilly	06/13/01	2.5	Travel to Columbia
Pamela Zilly	06/14/01	9.0	Meeting with Management, Committees' advisors re: due diligence
Pamela Zilly	06/14/01	2.5	Travel to New York
Pamela Zilly	06/15/01	0.5	Read Motion re: Procedures for Settling Claims
Pamela Zilly	06/15/01	1.0	Meeting with R. Shinder re: 6/27 presentation
Pamela Zilly	06/18/01	1.0	Meeting with R. Shinder, D. Blechman re: Business Plan
Pamela Zilly	06/18/01	0.5	Call with K. Coghlan re: dissemination of acquisition materials
Pamela Zilly	06/18/01	2.0	Review materials provided in response to P&M due diligence requests
Pamela Zilly	06/20/01	0.5	Read Pl. BI Motion for Prosecution of Fraudulent Transfer Claims
Pamela Zilly	06/21/01	1.0	Meeting with R. Shinder re: draft of 6/27 presentation

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
JUNE 1, 2001 - JUNE 30, 2001**

Professional	Date	Hours	Explanation
Pamela Zilly	06/21/01	0.5	Call with K. Coghlan re: 6/27 presentation
Pamela Zilly	06/22/01	2.5	Prepare back-up materials to 6/27 presentation
Pamela Zilly	06/24/01	1.5	Revise 6/27 presentation
Pamela Zilly	06/25/01	2.5	Revise 6/27 presentation
Pamela Zilly	06/25/01	2.5	Travel to Columbia
Pamela Zilly	06/26/01	9.0	Attend Grace management meetings
Pamela Zilly	06/26/01	2.0	Dinner meeting with K. Coghlan, D. Siegel
Pamela Zilly	06/26/01	3.0	Prepare speech for presentation
Pamela Zilly	06/27/01	1.0	Prepare speech for presentation
Pamela Zilly	06/27/01	12.0	Attend Grace management meetings
Pamela Zilly	06/27/01	2.5	Travel to New York
Pamela Zilly	06/28/01	0.5	Read Amended Complaint re: Injunctive relief
Pamela Zilly	06/28/01	1.5	Read draft Business Plan
Pamela Zilly	06/28/01	2.0	Read GPC strategic plan
Pamela Zilly	06/28/01	1.0	Call with R. Shinder re: status of Project Peter
Pamela Zilly	06/28/01	2.0	Read backup materials to employee programs
Pamela Zilly	06/28/01	1.0	Analysis of comparable compensation programs vs. Grace
Pamela Zilly	06/29/01	0.5	Call with K. Coghlan re: PI transaction
Pamela Zilly	06/29/01	0.5	Read Motions re: Former employees, Leases
Pamela Zilly	06/29/01	0.5	Call with P. Norris re: key managers meeting
Pamela Zilly	06/29/01	0.5	Review May Flash report
Pamela Zilly	06/29/01	1.0	Call with B. Tarola, F. Gilbert, S. Farnsworth re: Pre P&M call
Pamela Zilly	06/29/01	1.5	Read Davison strategic plan
Pamela Zilly	06/29/01	1.0	Call with P&M, B. Tarola, S. Farnsworth re: May flash report
Pamela Zilly	06/29/01	0.5	Followup call with B. Tarola, F. Gilbert re: P&M call
Pamela Zilly	06/29/01	0.5	Call with K. Coghlan re: Peter transaction
Pamela Zilly	06/29/01	0.5	Call with M. Piergrossi, B. McGowan re: compensation programs
Pamela Zilly	06/29/01	0.5	Read Motion re: Procedures for de minimis assets
Pamela Zilly	06/30/01	1.0	Read compensation program materials
Pamela Zilly	06/30/01	3.5	Prepare compensation analysis, outline for memo
		101.0	

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
JUNE 1, 2001 - JUNE 30, 2001**

Professional	Date	Hours	Explanation
Richard Shinder	06/01/01	1.0	Meeting with D. Blechman, P. Zilly re: business plan
Richard Shinder	06/01/01	1.0	Call with S. Farnsworth re: business plan
Richard Shinder	06/01/01	1.0	Calls with CDG re: June 14 company meeting
Richard Shinder	06/04/01	1.0	Completion of P&M/CDG due diligence response and letter
Richard Shinder	06/04/01	0.5	Meeting with D. Blechman re: status update
Richard Shinder	06/04/01	1.0	Calls with K. Coghlan re: 6/14 meeting
Richard Shinder	06/05/01	3.0	Review and provide comments to Grace management of 6/14 presentation
Richard Shinder	06/05/01	1.5	Meeting with E. Pelli (DIP lender)
Richard Shinder	06/05/01	0.5	Discussion with P. Zilly re: call
Richard Shinder	06/08/01	2.0	Calls with committee advisors re: 6/14 confidentiality agreements, meeting topics, logistics
Richard Shinder	06/08/01	0.5	Meeting with P. Zilly re: Advisors call
Richard Shinder	06/11/01	1.0	Call to discuss advisor fees with Siegel, Ford, Gilbert
Richard Shinder	06/11/01	1.0	Calls with committee advisors re: CA, meeting logistics
Richard Shinder	06/11/01	1.5	Work with Blechman and Alexander on EBITDA/multiple regression analysis
Richard Shinder	06/11/01	1.0	Call with J. Kapp re: status of confidentiality agreements
Richard Shinder	06/11/01	0.5	Call with McGowan re: Grace retention/sovereance
Richard Shinder	06/11/01	1.0	Meeting with P. Zilly re: McGowan call, confidentiality agreement status
Richard Shinder	06/11/01	1.0	Review of Grace 6/14 presentation
Richard Shinder	06/12/01	1.0	Review of EBITDA/enterprise value regression analysis
Richard Shinder	06/12/01	2.0	Call to discuss 6/14 presentation with Norris, Siegel, Tarola, Coghlan et al
Richard Shinder	06/12/01	1.0	Call with Committee advisors/ K&E re: meeting logistics/ CA
Richard Shinder	06/12/01	1.5	Work on 6/27 leadership meeting presentation
Richard Shinder	06/13/01	0.5	Call re: business plan
Richard Shinder	06/13/01	2.5	Work on 6/27 leadership meeting presentation
Richard Shinder	06/13/01	0.5	Call with P. Zilly re: status of confidentiality agreements
Richard Shinder	06/13/01	2.5	Transit to Columbia, MD / review of 6/14 presentation
Richard Shinder	06/14/01	9.0	Grace meeting with financial advisors, Columbia, MD
Richard Shinder	06/14/01	2.5	Transit to NYC from meeting
Richard Shinder	06/15/01	0.5	Call with K. Coghlan re: Peter transaction
Richard Shinder	06/15/01	0.5	Work reviewing Peter transaction
Richard Shinder	06/15/01	0.5	Call with B. McGowan re: long term incentive comp
Richard Shinder	06/15/01	1.0	Meeting with P. Zilly re: 6/27 presentation data, outline

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
JUNE 1, 2001 - JUNE 30, 2001

Professional	Date	Hours	Explanation
Richard Shinder	06/15/01	5.5	Work on 6/27 leadership meeting presentation
Richard Shinder	06/18/01	1.5	Work on 6/27 leadership meeting presentation
Richard Shinder	06/18/01	0.5	Work on 6/27 leadership meeting presentation
Richard Shinder	06/18/01	1.0	Calls with K. Coghlan re: Peter, financial advisor requests
Richard Shinder	06/18/01	1.0	Meeting with P. Zilly D. Blechman re: Business Plan
Richard Shinder	06/18/01	1.0	Calls with financial advisors re: Project Peter, financial information
Richard Shinder	06/19/01	1.5	Review of Grace business plan draft
Richard Shinder	06/19/01	1.0	Call on business plan schedule
Richard Shinder	06/19/01	1.0	Calls with company re: Project Peter follow up diligence by committee advisors
Richard Shinder	06/19/01	1.0	Call with financial advisors re: Project Peter
Richard Shinder	06/19/01	1.0	Reconcile P&M due diligence request
Richard Shinder	06/19/01	1.0	Review of 6/27 presentation
Richard Shinder	06/20/01	2.0	Preparation of Peter materials and confidentiality agreement to send to CDG
Richard Shinder	06/20/01	1.0	Work on case studies for 6/27 presentation
Richard Shinder	06/21/01	2.0	Meeting with P. Zilly re: draft of 6/27 presentation
Richard Shinder	06/21/01	1.0	Preparation of Peter due diligence materials for P&M
Richard Shinder	06/21/01	1.0	Review of motions filed to date
Richard Shinder	06/22/01	1.0	Review of revisions to 6/27 presentation
Richard Shinder	06/22/01	3.0	Review of revisions to 6/27 presentation
Richard Shinder	06/22/01	0.5	Call with CDG re: Project Peter
Richard Shinder	06/23/01	4.0	Review of revisions to 6/27 presentation
Richard Shinder	06/23/01	2.0	Finalize 6/27 presentation
Richard Shinder	06/25/01	2.0	Review of business plan document
Richard Shinder	06/25/01	2.0	Transit to Columbia, MD / review of 6/27 presentation
Richard Shinder	06/25/01	3.0	Participation in Grace Strategic Planning sessions
Richard Shinder	06/26/01	9.0	Dinner meeting with K. Coghlan, D. Siegel
Richard Shinder	06/26/01	2.0	Participation in Grace Key Managers' presentations and workshop
Richard Shinder	06/27/01	8.0	Calls with P&M, CDG re: Peter transaction
Richard Shinder	06/27/01	1.0	Transit to NYC from meeting
Richard Shinder	06/27/01	3.0	Call with Zilly re: Project Peter
Richard Shinder	06/28/01	1.0	
		<u>108.0</u>	

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
JUNE 1, 2001 - JUNE 30, 2001**

Professional	Date	Hours	Explanation
David Blechman	06/01/01	1.0	Meeting with P. Zilly, R. Shinder re: business plan
David Blechman	06/04/01	0.5	Meeting with R. Shinder re: status update
David Blechman	06/05/01	1.5	Call with Grace management re: 6/14 meeting with advisors
David Blechman	06/11/01	1.0	Call with Grace management re: advisor fees
David Blechman	06/11/01	1.5	Work with Shinder and Alexander on EBITDA/multiple regression analysis
David Blechman	06/13/01	2.5	Travel to Columbia
David Blechman	06/14/01	8.0	Attended due diligence meeting with P&M. CDG in Columbia
David Blechman	06/14/01	2.5	Travel to New York
David Blechman	06/15/01	1.0	Reviewed, organized materials for distribution to financial advisors re: due diligence requests
David Blechman	06/19/01	3.0	Worked on draft of business plan
David Blechman	06/18/01	2.0	Assisted P. Zilly, R. Shinder re: key managers meeting; generated outline of presentation, data required
David Blechman	06/18/01	1.0	Finalized materials re: due diligence requests for P&M and CDG
David Blechman	06/18/01	1.0	Meeting with R. Shinder, P. Zilly re: Business Plan
David Blechman	06/20/01	8.0	Worked on draft business plan
David Blechman	06/21/01	8.5	Worked on draft business plan
David Blechman	06/22/01	10.0	Worked on draft of business plan
David Blechman	06/24/01	7.0	Completed first draft of business plan
David Blechman	06/25/01	2.5	Travel to Columbia
David Blechman	06/25/01	8.0	Participated in GPC key managers meeting
David Blechman	06/25/01	2.5	Travel to New York
David Blechman	06/26/01	4.0	Review and revise business plan
David Blechman	06/26/01	2.0	Prepare materials re: meeting on Catalyst projections
David Blechman	06/27/01	0.5	Call with S. Cunningham re: due diligence materials
David Blechman	06/27/01	1.0	Prepare materials re: meeting on GPC projections
David Blechman	06/27/01	2.5	Travel to Columbia
David Blechman	06/27/01	9.0	Participated in Davison key managers meeting
David Blechman	06/28/01	1.0	Meeting with M. Brown in Columbia regarding draft financial model
David Blechman	06/28/01	0.5	Call with P. Zilly, B. Tarola, F. Gilbert re: pre-call for call with P&M re: May flash
David Blechman	06/29/01	4.5	Meeting with C. Haynes in Columbia regarding Catalysts draft business plan

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
JUNE 1, 2001 - JUNE 30, 2001**

Professional	Date	Hours	Explanation
David Blechman	06/29/01	2.5	Travel to New York
David Blechman	06/30/01	1.0	Conf. call with S. Farnsworth, R. Rowan regarding GPC draft business plan.
David Blechman	06/30/01	2.5	Review and revise business plan
		<u>104.0</u>	

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
JUNE 1, 2001 - JUNE 30, 2001

Professional	Date	Hours	Explanation
Michael Alexander	06/05/01	5.0	Updated database of asbestos bankruptcies.
Michael Alexander	06/06/01	6.5	Updated chemicals industry comp model.
Michael Alexander	06/06/01	3.0	Pulled research re. financial projections of competitors
Michael Alexander	06/07/01	4.0	Reviewed research on competitors.
Michael Alexander	06/07/01	5.5	Performed regression analysis re. correlation of market valuation to projected EBITDA growth.
Michael Alexander	06/11/01	4.5	Wrote memo re. EBITDA growth.
Michael Alexander	06/11/01	1.5	Discussed analysis with R. Shinder, D. Blechman.
Michael Alexander	06/11/01	3.0	Revised EBITDA growth memo.
Michael Alexander	06/15/01	4.5	Created case study on Genesis / Multicare merger.
Michael Alexander	06/15/01	4.0	Incorporated Dow Corning case study into presentation re. Operating Environment in Ch. 11.
Michael Alexander	06/17/01	6.0	Created chronological case study, financials for Lonestar Industries, pre-filing through the present.
Michael Alexander	06/17/01	2.0	Incorporated Lonestar case study into presentation.
Michael Alexander	06/18/01	2.0	Assisted P. Zilly, R. Shinder, re: key managers meeting; generated outline of presentation, data required
Michael Alexander	06/19/01	3.0	Reviewed due diligence information and sent materials to E. Ordway at Policano & Manzo.
Michael Alexander	06/20/01	8.0	Worked on draft Business Plan
Michael Alexander	06/20/01	1.0	Prepared second set of information to be provided to financial advisors
Michael Alexander	06/21/01	6.5	Continued work on draft Business plan.
Michael Alexander	06/24/01	6.0	Prepare draft Business Plan
Michael Alexander	06/25/01	3.0	Revisions to draft Business Plan
Michael Alexander	06/28/01	2.5	Travel to Columbia
Michael Alexander	06/28/01	1.0	Outline of agenda for meetings regarding financial model
Michael Alexander	06/28/01	1.0	Meeting with M. Brown in Columbia regarding draft financial model
Michael Alexander	06/29/01	4.5	Meeting with C. Haynes in Columbia regarding Catalysts draft business plan
Michael Alexander	06/29/01	2.5	Travel to New York
Michael Alexander	06/30/01	1.0	Conf. call with S. Farnsworth, R. Rowan regarding GPC draft business plan.
Michael Alexander	06/30/01	3.5	Make revision to draft Business Plan
		95.0	

EXHIBIT B

W.R. GRACE
Expense Summary
Processed Through
May 31, 2001
2396-T

	GL Detail	Total
	May-01	Expenses
Research - In-House	1108 \$ 111.00	\$ 111.00
Car Services - Elite	1116 94.30	94.30
Travel/Local	1122 214.00	214.00
Meals	1126 12.53	12.53
Research - Factset	1142 511.06	511.06
Federal Express	1174 41.11	41.11
Total Expenses	\$ 984.00	\$ 984.00
	Travel/Local	\$ 308.30
	Meals	12.53
	Research	622.06
	Communications	41.11
	Total Expenses	\$ 984.00

W.R. GRACE
Expense Detail
Processed Through
May 31, 2001
2396-T

Car Services**Elite**

Shinder	04/03/01	32.11	
Shinder	04/06/01	37.72	
Shinder	04/09/01	24.47	
Subtotal - Car Services			\$ 94.30

Travel/Local

Shinder	04/18/01	23.00	
Shinder	04/22/01	15.00	
Shinder	04/23/01	25.00	
Shinder	04/23/01	40.00	
Shinder	04/30/01	12.50	
Shinder	05/02/01	8.50	
Shinder	05/03/01	9.00	
Zilly	04/02/01	6.00	
Zilly	04/02/01	10.00	
Zilly	04/16/01	65.00	
Subtotal - Travel/Local			214.00

Meals

Blechman	04/23/01	4.63	
Zilly	04/11/01	7.90	
Subtotal - Meals			12.53

Research**In-House**

Alexander	4/8-15/01	111.00	
Subtotal - In-House			111.00

Factset

Alexander	4/1-15/01	511.06	
Subtotal - Factset			511.06

Subtotal - Research			622.06
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Communications

**W.R. GRACE
Expense Detail
Processed Through
May 31, 2001
2396-T**

Federal Express

Blechman	04/05/01	14.71	
Blechman	05/24/01	12.67	
Mahoney	05/07/01	<u>13.73</u>	
Subtotal - Communications			<u>41.11</u>
Total Expenses			<u>\$ 984.00</u>

W.R. GRACE
Expense Summary
Processed Through
June 30, 2001
2426-T

		GL Detail		Total
		Jun-01		Expenses
Word Processing	1106	\$ 402.50	\$	402.50
Research - In-House	1108	134.60		134.60
Airfare	1114	811.00		811.00
Car Services - Elite	1116	1,436.17		1,436.17
Travel/Local	1122	73.30		73.30
Other - Auto	1124	340.00		340.00
Meals	1126	667.46		667.46
Lodging	1130	518.09		518.09
Research - Disclosure	1136	33.80		33.80
Research - DowJones	1138	2.15		2.15
Research - Factset	1142	580.57		580.57
Research - Disclosure-Paper	1157	1,058.95		1,058.95
Fax	1170	82.50		82.50
Telephone - Mobile	1172	8.75		8.75
Federal Express	1174	75.68		75.68
Photocopying	1188	193.60		193.60
Total Expenses		\$ 6,419.12	\$	6,419.12

Word Processing	\$ 402.50
Airfare & Travel/Local	2,660.47
Meals & Lodging	1,185.55
Research	1,810.07
Communications	166.93
Photocopying	193.60
Total Expenses	\$ 6,419.12

W.R. GRACE
Expense Summary
Processed Through
June 30, 2001
2426-T

		GL Detail		Total
		Jun-01		Expenses
Word Processing	1106	\$ 402.50	\$	402.50
Research - In-House	1108	134.60		134.60
Airfare	1114	811.00		811.00
Car Services - Elite	1116	1,436.17		1,436.17
Travel/Local	1122	73.30		73.30
Other - Auto	1124	340.00		340.00
Meals & Lodging	1126	928.29		928.29
Lodging	1130	518.09		518.09
Research - Disclosure	1136	33.80		33.80
Research - DowJones	1138	2.15		2.15
Research - Factset	1142	580.57		580.57
Research - Disclosure-Paper	1157	1,058.95		1,058.95
Fax	1170	82.50		82.50
Telephone - Mobile	1172	8.75		8.75
Federal Express	1174	75.68		75.68
Photocopying	1188	193.60		193.60
Total Expenses		\$ 6,679.95	\$	6,679.95
		Word Processing	\$	402.50
		Airfare & Travel/Local		2,660.47
		Meals		1,446.38
		Research		1,810.07
		Communications		166.93
		Photocopying		193.60
		Total Expenses	\$	6,679.95

W.R. GRACE
Expense Detail
Processed Through
June 30, 2001
2426-T

Word Processing

Blechman	5/1-15/01	402.50	
Subtotal - Word Processing		<u>402.50</u>	\$ 402.50

Airfare

Blechman	04/20/01	405.50	
Zilly	04/11/01	405.50	
Subtotal - Airfare		<u>811.00</u>	811.00

Car Services**Elite**

Alexander	04/10/01	24.47
Alexander	05/01/01	24.47
Alexander	05/09/01	32.11
Alexander	05/13/01	23.96
Alexander	05/16/01	24.47
Alexander	06/17/01	34.66
Alexander	06/19/01	24.47
Alexander	06/19/01	27.01
Alexander	06/20/01	27.01
Blechman	04/22/01	46.38
Blechman	04/23/01	46.38
Blechman	05/10/01	21.41
Blechman	05/15/01	21.41
Blechman	05/16/01	21.41
Blechman	05/17/01	40.27
Blechman	05/17/01	40.27
Blechman	06/22/01	43.83
Blechman	06/23/01	55.05
Blechman	06/24/01	25.49
Client	05/16/01	21.41
Client	05/17/01	20.39
Client	05/17/01	21.41
Client	05/17/01	23.96
Client	05/17/01	79.51
Client	06/15/01	30.58
Shinder	04/11/01	24.47
Shinder	04/16/01	45.37

W.R. GRACE
Expense Detail
Processed Through
June 30, 2001
2426-T

Shinder	04/17/01	34.66	
Shinder	05/04/01	24.47	
Shinder	05/07/01	24.47	
Shinder	05/08/01	24.47	
Shinder	05/14/01	24.47	
Shinder	05/21/01	24.47	
Shinder	06/11/01	29.56	
Shinder	06/12/01	27.01	
Shinder	06/13/01	22.43	
Shinder	06/18/01	24.47	
Shinder	06/19/01	24.47	
Shinder	06/22/01	24.47	
Zilly	04/15/01	96.60	
Zilly	04/16/01	40.27	
Zilly	04/17/01	64.23	
Zilly	05/02/01	27.52	
Zilly	05/16/01	26.50	
		<hr/>	
Subtotal - Car Services			1,436.17

Travel/Local

Blechman	05/17/01	5.00	
Blechman	05/22/01	7.00	
Shinder	05/09/01	11.90	
Shinder	05/17/01	12.50	
Shinder	05/22/01	15.20	
Shinder	06/01/01	9.20	
Shinder	06/12/01	12.50	
		<hr/>	
Subtotal - Travel/Local			73.30

Other Auto

Zilly	04/02/01	85.00	
Zilly	04/02/01	85.00	
Zilly	05/01/01	170.00	
		<hr/>	
Subtotal - Other Auto			340.00

Meals

Alexander	05/01/01	50.13	
Alexander	05/14/01	73.13	

W.R. GRACE
Expense Detail
Processed Through
June 30, 2001
2426-T

Blechman	05/14/01	73.07	
Blechman	05/17/01	4.94	
Document Production	05/10/01	8.70	
Shinder	04/09/01	26.08	
Shinder	04/11/01	50.33	
Shinder	05/08/01	55.02	
Shinder	05/14/01	73.07	
Zilly	05/02/01	7.52	
Zilly	05/14/01	6.95	
Zilly	05/16/01	7.35	
Zilly	05/17/01	124.74	
Zilly	05/17/01	137.53	
Zilly	05/17/01	220.53	
Zilly	05/31/01	9.20	
	Subtotal - Meals		928.29

Lodging

Zilly	05/03/01	106.92	
Zilly	05/04/01	137.12	
Zilly	05/08/01	274.05	
	Subtotal - Lodging		518.09

Research**In-House**

Blechman	5/16-31/01	125.78	
Frieman	04/09/01	8.82	
	Subtotal - In-House		134.60

Disclosure

Blechman	5/16-31/01	28.65	
Shinder	5/16-31/01	5.15	
	Subtotal - Disclosure		33.80

DowJones

Shinder	5/1-15/01	2.15	
	Subtotal - DowJones		2.15

W.R. GRACE
Expense Detail
Processed Through
June 30, 2001
2426-T

Factset

Alexander	5/1-15/01	580.57	
	Subtotal - Factset		580.57

Disclosure-Paper

Blechman	06/04/01	1,058.95	
	Subtotal - Disclosure-paper		1,058.95

Subtotal - Research	1,810.07
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Communications**Fax**

Bolger	Apr-01	46.25	
Bolger	May-01	36.25	
	Subtotal - Fax		82.50

Telephone - Mobile

Blechman	06/22/01	8.75	
	Subtotal - Telephone - Mobile		8.75

Federal Express

Blechman	05/15/01	41.08	
Blechman	05/16/01	17.64	
Blechman	06/20/01	16.96	
	Subtotal - Federal Express		75.68

Subtotal - Communications	166.93
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Photocopying

Blechman	4/2-6/01	29.20	
Diggs	4/2-6/01	39.60	
Diggs	4/21-25/01	124.80	
	Subtotal - Photocopying		193.60

Total Expenses	\$ 6,679.95
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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
W. R. GRACE & CO., et al.,¹) Case No. 01-1139 (JJF)
) Jointly Administered
Debtors.)

CERTIFICATE OF SERVICE

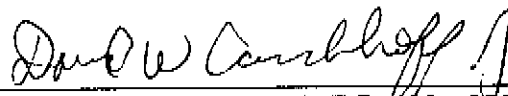
I, David W. Carickhoff, Jr., hereby certify that a copy of the foregoing documents was served upon the persons on the attached service list in the manner indicated on this 31st day of July, 2001:

NOTICE OF FILING OF FIRST MONTHLY FEE APPLICATION.

**FIRST APPLICATION OF THE BLACKSTONE GROUP L.P. AS
FINANCIAL ADVISOR TO THE DEBTORS AND DEBTORS IN
POSSESSION FOR ALLOWANCE OF COMPENSATION FOR ACTUAL
AND NECESSARY SERVICES RENDERED AND FOR
REIMBURSEMENT OF ALL ACUTUAL AND NECESSARY EXPENSES
INCURRED (FOR THE MONTHLY PERIODS APRIL 2, 2001 THROUGH
JUNE 30, 2001)**

¹ The Debtors consist of the following 62 entities: W. R. Grace & Co. (f/k/a Grace Specialty Chemicals, Inc.), W. R. Grace & Co.-Conn., A-1 Bit & Tool Co., Inc., Alewife Boston Ltd., Alewife Land Corporation, Amicon, Inc., CB Biomedical, Inc. (f/k/a Circe Biomedical, Inc.), CCHP, Inc., Coalgrace, Inc., Coalgrace II, Inc., Creative Food 'N Fun Company, Darex Puerto Rico, Inc., Del Taco Restaurants, Inc., Dewey and Almy, LLC (f/k/a Dewey and Almy Company), Ecarg, Inc., Five Alewife Boston Ltd., G C Limited Partners I, Inc. (f/k/a Grace Cocoa Limited Partners I, Inc.), G C Management, Inc. (f/k/a Grace Cocoa Management, Inc.), GEC Management Corporation, GN Holdings, Inc., GPC Thomasville Corp., Gloucester New Communities Company, Inc., Grace A-B Inc., Grace A-B II Inc., Grace Chemical Company of Cuba, Grace Culinary Systems, Inc., Grace Drilling Company, Grace Energy Corporation, Grace Environmental, Inc., Grace Europe, Inc., Grace H-G Inc., Grace H-G II Inc., Grace Hotel Services Corporation, Grace International Holdings, Inc. (f/k/a Dearborn International Holdings, Inc.), Grace Offshore Company, Grace PAR Corporation, Grace Petroleum Libya Incorporated, Grace Tarpon Investors, Inc., Grace Ventures Corp., Grace Washington, Inc., W. R. Grace Capital Corporation, W. R. Grace Land Corporation, Gracoal, Inc., Gracoal II, Inc., Guanica-Caribe Land Development Corporation, Hanover Square Corporation, Homco International, Inc., Kootenai Development Company, L B Realty, Inc., Litigation Management, Inc. (f/k/a GHSC Holding, Inc., Grace JVH, Inc., Asbestos Management, Inc.), Monolith Enterprises, Incorporated, Monroe Street, Inc., MRA Holdings Corp. (f/k/a Nestor-BNA Holdings Corporation), MRA Intermedco, Inc. (f/k/a Nestor-BNA, Inc.), MRA Staffing Systems, Inc. (f/k/a British Nursing Association, Inc.), Remedium Group, Inc. (f/k/a Environmental Liability Management, Inc., E&C Liquidating Corp., Emerson & Cuming, Inc.), Southern Oil, Resin & Fiberglass, Inc., Water Street Corporation, Axial Basin Ranch Company, CC Partners (f/k/a Cross Country Staffing), Hayden-Gulch West Coal Company, H-G Coal Company.

AFFIDAVIT OF PAMELA ZILLY



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Grace Fee Application Service List
 Case Number: 01-1139 (JJF)
 Document Number: 23451
 May 30, 2001
 04 – Hand Delivery
 08 – Federal Express

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